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RUEHLB/AMEMBASSY BEIRUT PRIORITY 5423  
RUEHEG/AMEMBASSY CAIRO PRIORITY 3970  
RUEHDM/AMEMBASSY DAMASCUS PRIORITY 6245  
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RUEHTU/AMEMBASSY TUNIS PRIORITY 6465  
RUCNDT/USMISSION USUN NEW YORK PRIORITY 8509  
RUEHJI/AMCONSUL JEDDAH PRIORITY 1292  
RUEHJM/AMCONSUL JERUSALEM PRIORITY 1979  
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RHMFISS/COMSOCEUR VAIHINGEN GE PRIORITY  
RHMFIUU/COMSIXTHFLT PRIORITY

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STATE FOR NEA, NEA/IPA, NEA/PPD

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NSC FOR NEA STAFF

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HQ USAF FOR X0XX  
DA WASHDC FOR SASA  
JOINT STAFF WASHDC FOR PA  
CDR USCENTCOM MACDILL AFB FL FOR POLAD/USIA ADVISOR  
COMSOCEUR VAIHINGEN GE FOR PAO/POLAD  
COMSIXTHFLT FOR 019

JERUSALEM ALSO ICD  
LONDON ALSO FOR HKANONA AND POL  
PARIS ALSO FOR POL  
ROME FOR MFO

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E.O. 12958: N/A  
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SUBJECT: ISRAEL MEDIA REACTION

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SUBJECTS COVERED IN THIS REPORT:  
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1. Mideast
2. NPT Issues

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Key stories in the media:  
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Israel Radio quoted: Quartet envoy to the Middle East Tony Blair as saying that the U.S. administration is working on a new strategy for talks between Israel and the Palestinians and this would probably be

presented in about six weeks. Blair was quoted as saying that the plan was inspired hope because the most senior officials in both the Obama administration and the international community were working on it.

Leading media reported that PM Benjamin Netanyahu is seeking to upgrade the diplomatic role of moderate Arab states. Israel Radio reported that he will refuse to address the two-state issue during his meeting with President Obama. The Jerusalem Post reported that the GOI is keeping mum about an alleged new Arab initiative. HaQaretz quoted PA President Mahmoud Abbas as saying yesterday that he and his Egyptian counterpart planned to present the Obama administration with a complete formula for resolving the Middle East conflict. According to HaQaretz, the PA and several Arab states are developing a plan to be submitted to President Obama that would provide for gestures to Israel in return for Israeli concessions to the Palestinians. The plan is designed to show Arab flexibility in the face of what they view as anticipated intransigence on the part of PM Benjamin Netanyahu. HaQaretz quoted Palestinian sources in Ramallah as saying yesterday that they expect the Obama administration to force a new peace plan of its own on Israel and the Palestinians next month, which would be developed in consultation with the parties to the conflict but not necessarily with their agreement. The sources were quoted as saying that the American plan would, however, have the support of the other Quartet members. It would deal with a final settlement of the Arab-Israeli conflict, including relations with Syria and Lebanon. It would also mention the establishment of full diplomatic relations between Israel and Arab states. A senior Palestinian official, Yasser Abed Rabbo, told HaQaretz by phone from Jordan on Wednesday that the Palestinians believe the Americans are determined to pursue peace in the Middle East. HaQaretz quoted an informed source as saying that the Palestinians are interested in bringing the Arab countries into the negotiations as a "third party," in anticipation that it would strengthen the Palestinian position vis-a-vis the United States. Israel Radio quoted Arab League Secretary-General Amr Moussa as saying that, contrary to media reports yesterday, there will be no amendments to the Arab Peace Initiative.

Electronic media reported that last night an IDF soldier was killed in the West Bank town of Bir Zeit, north of Ramallah. The circumstances of the case are still unclear. All media reported that IDF soldiers killed a Palestinian man last night near the Tomb of the Patriarchs in Hebron. Earlier yesterday the IAF bombed three tunnels used for smuggling along the Gaza-Egypt border, injuring four people.

Leading media reported that yesterday President Shimon Peres told UN Secretary-General Ban Ki-moon in New York that the UN report on Operation Cast Lead was one-sided. Peres also criticized Ban's behavior during the Durban II conference. The Jerusalem Post quoted Peres as saying after his meeting with Ban: "We don't think we have to apologize because we have the right to defend the lives of our children and women." The Post reported that he later added that the American army checked Israel's actions and found no violation of laws of war. Israel Radio also quoted Peres as saying last night that if the talks failed between Washington and Tehran over the Iranian nuclear matter, there were other options. Peres made the statement in the course of a meeting of the Conference of Presidents of Major Jewish Organizations in New York.

Maariv cited Israel's worry about China's sales of missiles -- clones of the Russian S300 systems -- which might threaten Israeli air superiority and hinder an attack on Iranian nuclear installations.

The Jerusalem Post quoted Israeli officials as saying that the U.S. comment on the Nuclear Non-Proliferation Treaty was not part of the new U.S. policy on Iran. All media cited a restricted International Atomic Energy Agency report published yesterday that traces of enriched uranium were found during an environmental sample swipe near the Inshas nuclear research site in Egypt. The material can be used for the production of nuclear weapons, but the quantity in which the particles were found would have been insufficient for that.

The Jerusalem Post quoted Sen. John Kerry, chairman of the Senate Foreign Relations Committee, as saying yesterday that the U.S. has stepped back from the notion of regime change in Iran.

HaQaretz reported that West Bank construction has been accelerating for several months, putting Israel on a collision course with a U.S. administration taking a hard line on settlement expansion.

HaQaretz and Israel Radio reported that Regional Development Minister Silvan Shalom (Likud) will accompany Tony Blair to the Jenin industrial zone, to assist speeding up works in the area. Shalom and Blair are expected to attend the opening of the new Israeli-Palestinian chamber of commerce later this month, along with Palestinian PM Salam Fayyad. HaQaretz reported that Netanyahu has instructed the defense establishment to transfer 50 million shekels (around \$12.5 million) in banknotes to banks in Gaza in order to pay salaries and attend to current banking needs.

Makor Rishon-Hatzofe cited IsraelQs concern about the rapid U.S.-Syria rapprochement.

Steve Rosen, he former foreign policy chief for AIPAC who was charged with illegally disclosing classified information, was quoted as saying in an interview with Channel 10-TV that ulterior motives against QJews, Israel, and AIPACQ were behind the case against him.

Yediot called the USAF bombing of a village in Afghanistan, in which around 100 died, QKafr Qana, the U.S. versionQ Q a reference to the IDFQs accidental killings of civilians in Lebanon.

The media reported that the Treasury is preparing a plan of cuts that will affect the low-income public. Some cabinet ministers are opposed to the cuts. Maariv wrote that the Qold BibiQ is back.

All media cited the State ComptrollerQs annual report, which was issued yesterday: The report contains particularly severe criticism of the Agriculture Ministry (which reportedly allowed the sale of arsenic-tainted poultry), the health and education systems, police and transportation authorities.

HaQaretz quoted El AlQs CEO Haim Romano as saying that the number of business travelers from Israel to the U.S. has fallen by 30% in the past six months.

HaQaretz reported that the Israel Airports Authority is negotiating to buy advanced X-ray machines from General Electric for Ben-Gurion Airport.

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11. Mideast:  
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Summary:  
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Columnist Ari Shavit wrote in the independent, left-leaning Ha'aretz: QIf Netanyahu and Mubarak agree at Sharm el-Sheikh that they intend to stop Iran and build Palestine, we can reasonably assume they will find a partner in Obama. If that happens, the three leaders will provide the Middle East with a new, correct and realistic agenda.

Block Quotes:  
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"Nation Building for Palestine"

Columnist Ari Shavit wrote in the independent, left-leaning Ha'aretz (5/7): QMissing now is a new diplomatic concept that weaves all the good news together with one scarlet thread. Missing is a new strategic idea that will provide a common horizon for moderate Arabs and moderate Israelis. This idea could be [Tony] Blair's: nation building -- an ambitious international project of Americans, Europeans, Japanese, Egyptians, Jordanians, Saudis, residents of the Gulf emirates, Palestinians, and Israelis that will build the Palestinian nation from the foundations. The idea of nation building is not a substitute for the two-state concept; it complements it. It is designed to turn an impractical dream of peace into a serious work plan, which in the end will make the dream come true. The idea is meant to build the Palestinian state properly, over time, from the bottom up. It is capable of consolidating the

coalition of the Middle East's sane nations around one mission and one vision. The chances are good that the United States will be attentive to Blair's vision. U.S. President Barack Obama's strategy in Iraq is nation building. Obama's strategy in Afghanistan is nation building. There is no reason why his strategy in Palestine should not be nation building. If Netanyahu and Mubarak agree at Sharm el-Sheikh that they intend to stop Iran and build Palestine, we can reasonably assume they will find a partner in Obama. If that happens, the three leaders will provide the Middle East with a new, correct and realistic agenda.

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12. NPT Issues:  
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Summary:  
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Diplomatic correspondent Aluf Benn wrote in the independent, left-leaning Ha'aretz: QPresident Barack Obama, who has committed in every possible forum to preserve Israel's security, does not intend to Qclose DimonaQ while Iran threatens to wipe Israel from the map.... [But] as far as the Americans will progress in talks with Iran, demands will almost certainly arise for a full denuclearization of the region.

Diplomatic correspondent Shimon Shiffer wrote in the mass-circulation, pluralist Yediot Aharonot: QA signal is one thing, but the strategic alliance between the two states will still be in place two weeks from now.

Block Quotes:  
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1I. "Dimona in Exchange for Natanz?"

Diplomatic correspondent Aluf Benn wrote in the independent, left-leaning Ha'aretz (5/7): QPresident Barack Obama, who has committed in every possible forum to preserve Israel's security, does not intend to Qclose DimonaQ while Iran threatens to wipe Israel from the map. There is no reason to panic, but it must be understood that, unlike his predecessor, the current president intends to strengthen nuclear monitoring around the world, and Israel will be asked to contribute to this overall effort.... U.S. nuclear policy has long demonstrated a kind of split personality. Washington's public declarations urge universal compliance with the NPT. This was the spirit in which Tuesday's remarks were made (and occasional others like it in the past). But Israeli experts noticed a softer tone this time -- Israel and its fellow QrefuseniksQ were not called on to sign the treaty and relinquish their nuclear capabilities, but simply to QadhereQ to the document, a seemingly less threatening phrase.... As far as the Americans will progress in talks with Iran, demands will almost certainly arise for a full denuclearization of the region. In other words: QDimona for [IranQs nuclear reactor at] Natanz.

II. "ItQs Not Nuclear"

Diplomatic correspondent Shimon Shiffer wrote in the mass-circulation, pluralist Yediot Aharonot (5/7): Q[At every first meeting between a new American president and an Israeli prime minister,] each proclaims the text provided by the script: The United States will continue to protect IsraelQs right to maintain ambiguity in everything concerning its nuclear capabilities and not allow any international organization to demand that it reveal what it has, according to international reports. ThatQs what the President will say. The Israeli guest will thank his host for this approach and add that Israel will not deviate from the policy as agreed with the U.S. This pattern of understanding between Israel and the U.S. owes its origin to an agreement between Prime Minister Golda Meir and President Richard Nixon. The American approach is that as long as Israel must deal with a hostile environment and its neighborsQ intentions to destroy it, it must be able to defend itself and deter them. In recent years efforts were made by some in the administration to change the rules on this sensitive matter, but the White House removed the issue from its agenda -- until two days ago... One [Israeli cabinet] minister supported the assumption that the Obama administration was sending Israel a message as part of the

harsh signals being sent in advance of Netanyahu's visit.... Most decision-makers in Israel are still convinced that the ritual of the meeting between the American president and Israeli prime minister will repeat itself. A signal is one thing, but the strategic alliance between the two states will still be in place two weeks from now. QNothing fundamental has changed in the regional map or in the map of the threats to Israel,Q said [an unnamed] former prime minister yesterday.

CUNNINGHAM